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AR39THE PRESIDENT'S ADDRESS TO THE ANNUAL MEETING FEBRUARY 14, 1968

As President of Zurich Life Insurance Company of Canada, it is indeed a pleasure to welcome you to the Annual Meeting of the Company.

I hope you will agree, as I outline the results for the year 1967, that we are continuing to grow and expand in a manner consistent with our planning and that 1968 holds the promise of even more satisfying results.

THE YEAR'S BUSINESS ACTIVITIES

New ordinary business put in force during the year 1967 amounted to \$35,823,941 as compared with \$27,504,201 in the year 1966. This represents an increase in new ordinary business put in force of 30%. New group business put in force was \$22,536,103 which is substantially lower than that put in force in 1966. However, as I indicated to you last year, our 1966 group business was abnormally high because of one large group policy which accounted for almost 50% of our 1966 group business put in force.

Sales of individual annuity contracts continued again at a very high level during the year 1967. As a result, the increase in the annual payments provided under individual annuity contracts amounted to \$137,895 in the year 1967, representing a percentage gain of 85% of all payments in force. It is anticipated that annuity business will continue to grow but at a somewhat slower rate, as it is necessary that a proper balance between lines of business be maintained. These higher sales of annuities display the public confidence in the life insurance industry in general and the Zurich Life Insurance Company of Canada in particular as a most important means of providing retirement incomes.

The amount of business in force increased from \$385,374,571 at the end of 1966 to \$407,618,879 at the end of 1967.

The Company continued to experience favourable mortality on its ordinary business in 1967, although several large accidental death claims tended to make for a rather less favourable experience on our group life business. It is anticipated that during 1968 the group experience should return to normal.

During 1967, benefits paid to policyholders and beneficiaries amounted to \$6,632,222 as compared to \$5,108,511 in 1966. Of this amount \$5,117,925 or 77% of the total was paid to living policyholders. A large part of this substantial increase in benefit payments results from the conversion of our quinquennial dividend policies to an annual dividend basis. During 1967 all holders of quinquennial dividend policies received a dividend for that portion of the particular five-year period that had elapsed since their last regular dividend. For 1968 and later years dividends will be allotted to these policies on an annual basis.

During 1967, all existing systems of the Company previously handled on punched-card equipment were converted to our electronic data processing system. A consolidated functions system was introduced for our group life business. Work is now in progress to prepare a consolidated functions system for our ordinary business but it is not expected that this system will be completed in 1968. It is our policy to take advantage of the latest developments in system design available to us in the preparation of such a system, so that in the early stages we are directing most of our efforts to the areas of research and preparation.

INVESTMENTS

At the end of 1967 the Company's total assets amounted to \$64,225,356, an increase of 5.3% during the year. At the end of 1967 the percentage distribution of the Company's assets was as follows:

Bonds and Debentures	51.64%
Preferred Stocks	.25%
Common Stocks	4.53%
First Mortgages on Real Estate	36.91%
Real Estate for the Production of Income	.18%
Loans on Policies	4.54%
Cash in Banks and on Hand	.07%
Other Assets	<u>1.88%</u>
	100.00%

For 1967, the net rate of interest earned by the Company on its funds amounted to 6.12% as compared to 6.00% in the preceding year. It is interesting to note that in the entire history of the Company, the net rate of interest earned on its investments was higher than 6.12% in only one year, that being 1922.

STRENGTH AND SECURITY

Policy reserves amounting to \$48,779,608 were held at the end of 1967. Additional protection for policyholders and beneficiaries amounted to \$7,313,085, equal to 11.4% of total liabilities, demonstrating the financial strength of the Company and the security enjoyed by its policyholders.

FUTURE PLANS

As we look toward the future, the continued development of a highly-skilled sales force with adequate training to provide the best possible service to the insurance needs of the Canadian public will continue to be our primary objective. At the same time we propose to expand our programme of providing life insurance service through many of the agency connections of Zurich Insurance Company. To this end we are planning the appointment of further supervisory staff to assist in the promotion of this programme which has now grown to the point where such action is desirable.

As I mentioned last year, we are proposing to relocate our Head Office in a modern office building on University Avenue in Toronto which had been acquired by the Zurich group in Canada. It is anticipated that this relocation to such quarters, providing us with sufficient space for our current activities as well as reasonable provision for future expansion, will take place within the next few weeks.

For some time we have been occupied with the development of two new plans of life insurance which were both introduced in early 1968. Both plans represent interesting departures from the traditional marketing of life insurance. Our "Equity 65" plan provides a combination of guaranteed life insurance plus participation in our new segregated fund which is to be invested primarily in common stocks. While we do not believe that this plan replaces guaranteed life insurance and recommend that it be considered only by those who are already fully protected by sufficient guaranteed life insurance, we do feel that this plan has a proper place in the total insurance and savings function provided by the Company.

In addition, we have just announced our "Permagroup" plan whereby we are proposing to provide ordinary life insurance on a basis that takes advantage of group principles of marketing. This important new plan, which combines significant amounts of permanent life insurance with cash values and most attractive premium rates resulting from the use of group marketing and billing techniques, is expected to fill an important role in completing the employee welfare programmes provided by the Zurich group. The plan will be primarily marketed through the Group Insurance Division of the Zurich Insurance Company, illustrating again the close liaison under which the two Canadian organizations operate.

On behalf of the Board of Directors, I should like to offer sincere thanks to the Officers, the agency force and the staff for the contributions which they made in 1967. I am confident that in 1968 and in ensuing years the Company will continue to expand its business and make the progress for which careful plans have been laid.

